

FAX TRANSMISSION
INTREPID OIL & GAS, LLC

1801 BROADWAY, SUITE 800
DENVER, CO 80202
(303) 296-3006
FAX: (303) 298-7502

m/019/005

To: Tony Gallegos, Utah DOGM

Date: June 26, 2001

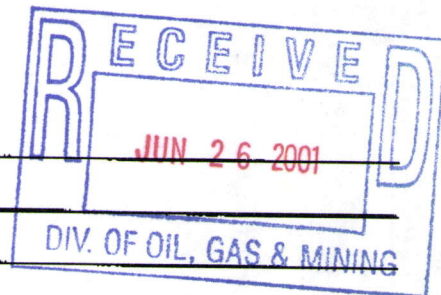
Fax #: 801-359-3940

Pages: 3, including cover sheet

From: Bob Jornayvaz

Subject: Moab Reclamation Liability

COMMENTS:



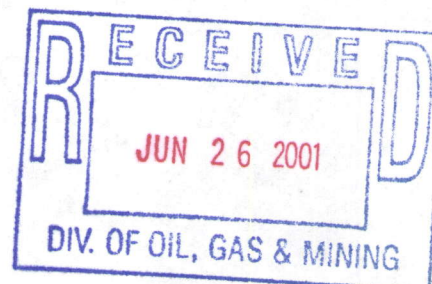
NewBridge

Services, Inc.

m/19/005

June 21, 2001

Mr. Anthony Gallegos
State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple
Suite 1210
Box 145801
Salt Lake City, Utah 84114



Re: Moab Reclamation Liability

Dear Mr. Gallegos:

I am writing at the request of Intrepid Mining LLC of Denver. We currently have bonds posted on the Moab potash operation. Cumberland Surety has been in the bonding business for sixteen year and associated with Lyndon Property Insurance for over two years now. As you know from your conversations with Dennis Raleigh, an integral part of that bonding business has been on-site risk analysis and the evaluation of actual reclamation cost associated with each bonded operation. This knowledge has been Cumberland's, and is now Lyndon's, foundation for underwriting of all bonds. Lyndon will not consider a request for bond until Newbridge Services (a Cumberland subsidiary) has completed their on-ground risk analysis. That analysis is the basis for determining the collateral a company must post to the surety to secure bonds. Cumberland/Newbridge has evaluated over 2000 sites in the last sixteen years and currently are responsible for the oversight and risk analysis on 1142 sites.

We have recently reviewed the reclamation plan prepared by EarthFax and inspected the Moab operation in April to confirm the validity of the plan. We believe the reclamation liability has been substantially reduced by the new reclamation plan. Based on our experience in risk analysis, we concur with EarthFax that the reclamation liability is approximately \$8 million.

In response to the new reclamation plan and reduced risk, Lyndon has reduced the collateral requirements of Moab from \$13.5 million to \$10.6 million. We initially required a 15 year collateral funding of the \$13.5 million. Now, even with the lower collateral requirement of \$10.6 million, we have extended the funding

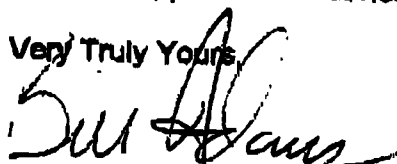
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NewBridge
Services, Inc.

time to 20 years. Cumberland/Newbridge is very comfortable with the ownership, management and performance of Moab. We are even more comfortable with our evaluation of the on-ground reclamation risk.

Should you have any questions regarding our assessment of the Moab operations, please do not hesitate to contact me.

Very Truly Yours,



Bill Adams
Vice-President

367 West Short Street - Lexington, Kentucky 40507 • 859/254-8622
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RECEIVED

JUN 25 2001

DIVISION OF
OIL, GAS AND MINING

m/19/005

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DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER QUALITY

Michael O. Leavitt
Governor
Dianne R. Nielson, Ph.D.
Executive Director
Don A. Ostler, P.E.
Director

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Water Quality Board

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J. Ann Wechsler
Don A. Ostler, P.E.
Executive Secretary

March 8, 2001

E. K. York, Manager
Moab Salt, LLC
P.O. Box 1208
Moab, Utah 84532

Dear Mr. York:

Subject: Mechanical Integrity Tests on Well No. 25, November 16, 2000.

Production Logging Services, Inc. has submitted in your behalf the results of the November 16, 2000 radioactive tracer mechanical integrity test (MIT) for your new well No. 25. After discussions with the logger, review of the casing pressure test results and review of the final radioactive tracer test well logs, it is our opinion that injection well No. 25 has no significant leak in its casing and no significant fluid movement into an USDW or the Colorado River through vertical channels adjacent to its well bore. The November, 2000 MIT is hereby approved as proof of mechanical integrity for Well No. 25.

Sincerely,

UTAH WATER QUALITY BOARD

Don A. Ostler, P.E.
Executive Secretary

DAO:glj:bjr

cc: Dr. Claron Bjork, SE Utah District Health Dept.
Dave Ariotti, District Engineer
Douglas Minter, EPA Region VIII
Utah Div. of Oil, Gas & Mining

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MAR 16 2001

DIVISION OF
OIL, GAS AND MINING